



*An Energy-Efficiency Workshop and Exposition
Orlando, Florida*

Energy Savings Performance Contracting (ESPC)

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Overview

- Energy Savings Performance Contracting (ESPC); Definition and Need
- USACE Huntsville, DOD ESPC Program
- DOE SUPER ESPC Program
- DOD/DOE Program Differences
- Lessons Learned/Questions and Answers

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Energy Savings Performance Contracting

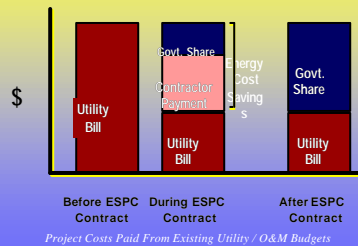
Definition: A contracting method where the contractor provides capital energy improvements and maintains them in exchange for a portion of the energy and energy-related savings generated.



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How ESPC Works



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EPACT, Executive Order 13123

- Reduce 1985 energy consumption by 35% by 2010.
- Demonstrate energy technology (showcases).
- EO 13123, Section 402: Agencies shall maximize use of available alternative financing mechanisms, including ESPC.
- Reduce greenhouse gas emissions 30% below 1990 levels by 2010.



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Why Energy Saving Performance Contracting ?

- Declining budget for installation of state-of-the art, energy efficient equipment and the replacement of failed and failing systems
- Fewer maintenance personnel
- Preventative maintenance no longer possible



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The Value of 3rd Party Financing

- **FACT:**
 - 3rd Party financing will eventually cost more than directly funding projects due to the compounding value of interest
 - It does allow you to obtain new energy- efficient infrastructure with \$0 in capital outlay

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Eligibility Requirements (to use DOD/DOE contracts)

- **You must be:**
 - A federal agency with government owned facilities
 - No leased facilities
 - Located within a DOE or DOD region, or international federal facility (DOE tech specific)

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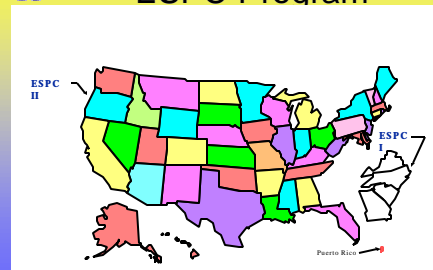
Corps of Engineer's ESPC Program

- Over 17 years of experience in business
- ESPC team essentially in one building - produces synergistic results for customers
- Ability to use national and international Corps assets to leverage customer support
- Over \$400 Million in ESPC awards (investment) and over \$115 Million in avoided costs to date

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Corps of Engineer's ESPC Program



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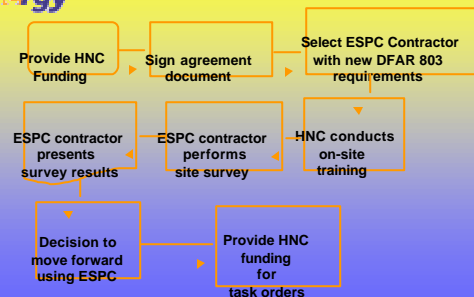
Corps of Engineer's ESPC Program

- **Corps of Engineer's cost structure:**
 - Labor & travel costs are not pre-priced
 - Provide cost on project by project basis
 - Full “turn key” support (technical, legal, contracting, project management)
 - Contractors provide an estimate of their investment by project

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ESPC Startup Process



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Contractor Selection DFAR 803

- Customer submits customer survey with request for HNC's services
- Contractors will compete to implement ECSMs for 3 years.
- Contractors provided the following info:
 - Utility Rates for the site
 - Types of projects site is interested in
 - General Installation Data
 - Building types and locations

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Contractor Selection DFAR 803

- Contractors develop an oral/written presentation on potential ECSMs.
- Evaluation factors
 - Cost
 - Experience
 - Past Performance

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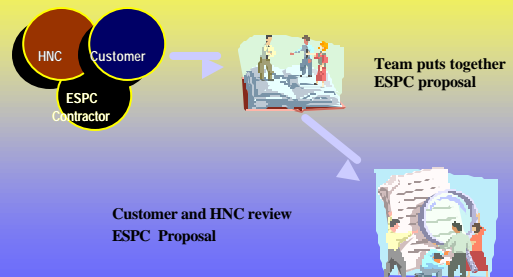


Site Survey Results

Project Description	Contractor Investment	Submit for Review	HNC Cost to Award	Projected Award Date
1 Upgrade Lighting	\$1,250,000	Mar 23, 2001	\$31,250	May 14, 2001
2 Boiler Upgrade	\$750,000	Jun 18, 2001	\$18,750	Aug 1, 2001
3 Electric Motors	\$800,000	Jul 22, 2001	\$20,000	Aug 30, 2001
4 Gas Heating	\$1,200,000	Sep 14, 2001	\$30,000	Nov 25, 2001
	\$4,000,000		\$100,000	



Using HNC ESPC Contracts



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Using HNC ESPC Contracts (Cont.)



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Resource Efficiency Manager

Duties

- Energy Manager Support
- Develop energy policies and implementation plan
- Develop Energy Awareness Program and Training
- Energy Accounting and Rate Analysis
- Energy Audits and Project Development
- Energy Program Support
- Apply for Rebates and Grants

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Resource Efficiency Manager Funding

The following methods are available for funding the REM:

- Installation provides funding from O&M budget
- REM costs funded through existing energy savings projects
- O&M funding combined with energy savings created by the REM

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Lessons Learned

Review project after 1 or 2 years of operation.

Does project perform as expected ?

- Did contract vehicle work ?
- Is customer happy ?
- What would we do different ?



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Lessons Learned

What Would We do Different ?

- Documentation of facility points of contact in proposal & M&V reports ?
- Insure that M&V process is adequately detailed in the proposal ?
- Participate in pre-construction meetings ?
- Contact customer more often after project acceptance ?
- Witness of M&V testing ?



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DOE SUPER ESPC PROGRAM



DOE SUPER ESPC PROGRAM

- Regional and Tech-Spec Awards in place for 25 years, with 25 year delivery order terms available
- Permit agencies to issue delivery orders without up-front capital outlay
- Provides free DOE project facilitation services through decision point for project
- Priced menu of services thereafter, with flexible payments through Interagency Agreements
- Provides DOE CO/COR and PM support throughout process at no charge
- Provides free Training workshops on ESPC itself, and how to issue delivery orders against contracts
- 101 agency awards to date, since 1998, with \$395 million in investment
- 78 Additional projects are currently Contractor Identified approved and in process

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DOE Technical Support Available

– FEMP Services

- One-stop shop: project facilitators, agency technical & procurement assistance for energy and water projects
- Offers a menu of services.
 - Government-identified project ~ \$50K estimate
 - Additional support available: a list of more specific FEMP, federal staff and DOE contractor support
 - Contractor-identified project ~ \$30K estimate
 - Free through initial proposal review



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Definition of Super ESPC

- ♦ Covers all facilities in a geographic region
- ♦ Standardizes general terms and conditions
- ♦ Multiple award IDIQs to cadre of ESCOs
- ♦ Allows for revision of IDIQ terms by agency in delivery orders
- ♦ Projects executed by agency delivery orders placed against the IDIQ

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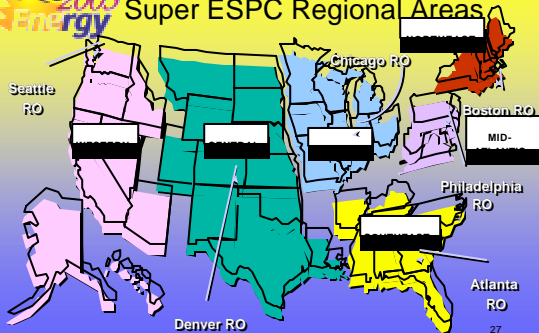
The Two Types of Super ESPC

- ♦ **Regional (by DOE region)**
- ♦ **Technology Specific (international)**
 - Geothermal Heat Pumps
 - Photovoltaics
 - Thermal Solar
 - Biomass and Alternative Methane Fuels

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Super ESPC Regional Areas



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Routes to Issue a DO

♦ **Competitive:** Process is similar to conventional competitive delivery orders.

→ Government-Identified

♦ **Single-Source:** CICA processes used in placing IDIQs allows for single-source DOs without protest.

→ Contractor-Identified

No CBD notice is required for either approach.

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Differences Between Approaches

•Project Definition:

- Contractor-identified project
 - ♦ ESCO defines project, recommends ECMs, and submits an initial proposal, as approved to do so
- Government-identified project
 - ♦ Agency defines project's technical specifications and assembles information on existing equipment (Site Data Package) and requests multiple initial proposals (Not happening much)

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Potential Advantages of Contractor-ID Approach

- ♦ Allows ESCO to get things started
- ♦ Avoids SDP development & review of multiple proposals
- ♦ Typically results in more informal and faster process
- ♦ Draws on project development expertise of ESCO industry
- ♦ Allows govt. to focus its resources
 - studying ESCO's offer
 - working w/ESCO to develop scope of project
 - verifying price reasonableness and realism

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How to Pick the Contractor

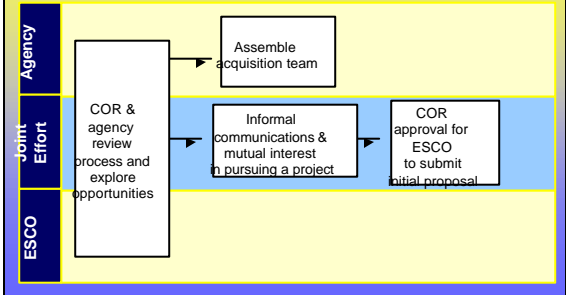
- Agency Decision
- Based on review of qualifications, past performance/references/ESCO interest/etc.
- Agency need not consider all eligible ESCOs (except DoD – needs to comply with DFARS section 803)
- No protestability of decision/no complaints to date
- ESCO chosen provided CI approval by DOE COR before any proposal

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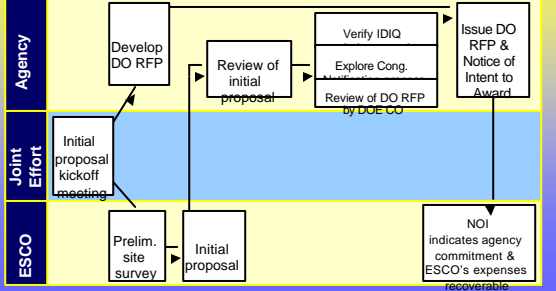
Phase 1: Project Planning

Explore Opportunities, Assemble Acquisition Team and Plan



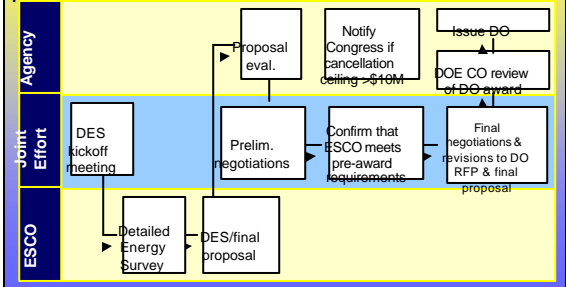
Phase 2: Initial Project Development

Select an ESCO and Begin DO RFP



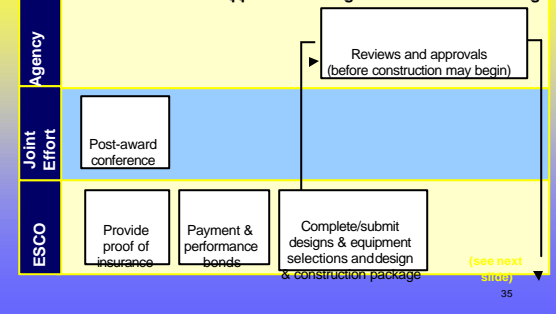
Phase 3: Negotiating and Awarding the Final Delivery Order

Negotiate and Issue Final Delivery Order



Phase 4: Implementing the Delivery Order

Review and Approval of Design & Construction Package

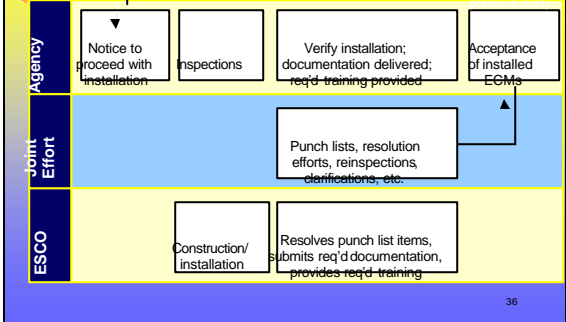


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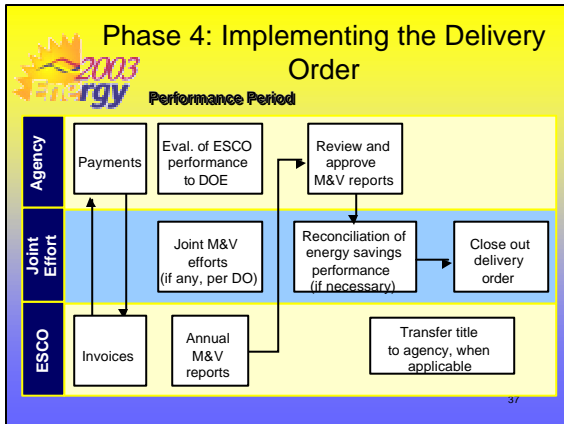


Phase 4: Implementing the Delivery Order

Installation, Construction Period & Project Acceptance



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DOD/DOE DIFFERENCES

2003 Energy

- DOD:
 - DOD handles procurement
 - Cost of support priced by project
 - Depleting term for DO's, with term of contract
- DOE:
 - Agency issues and administers DO with DOE procurement /legal/COR assistance
 - Cost of support services free through initial proposal stage with optional priced project facilitation services available thereafter (and recommended)"
 - Up to 25 year delivery order term available

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Questions and Answers

2003 Energy

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